

Of course, Ralph passed away a few days ago. Mr. Speaker, Sergeant Ralph Ford, Jr., was an absolute credit to his law enforcement profession, the apple of his wife and family's eyes and a joy to humanity. He shall be sorely missed.

SUBPRIME LENDING

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Ms. WATERS) is recognized for 5 minutes.

Ms. WATERS. Mr. Speaker, I want to thank the gentleman from Maryland (Mr. CUMMINGS) for reserving this time tonight to bring to the attention of the American people our deep concern about subprime lending and the rising foreclosure rate across our Nation.

Last week, we learned that the foreclosure rate jumped 47 percent in March of 2007 from just 1 year ago. Several weeks ago, Freddie Mac, which buys loans from lenders and sets underwriting standards, stopped purchasing 2/28 and 3/27 loans, or loans on which interest rates are fixed for only the first 2 years or 3 years of a 30-year loan.

Freddie Mac, recognizing the increase in number of defaults on these exotic loans because of rising rates and falling real estate prices, cut its losses short and got out of the subprime business.

Within the last month, the Nation's second largest subprime lender, New Century Financial Corporation, suspended making any new subprime loans because of the huge number of defaults on subprime mortgage loans and has since filed for bankruptcy protection. Incidentally, the executives of First Century have asked for an exit package of some \$6.5 million.

Countrywide, the largest subprime lender in the United States, also has problems with its subprime and prime portfolios.

Numerous subprime lenders have been forced into bankruptcy or have been sold to larger lenders.

General Motors Acceptance Corporation is out of the subprime business altogether. The list continues to grow with each passing day.

Defaults on subprime mortgage loans have prompted investors to turn their backs on mortgage-backed securities, making it more difficult for subprime lenders to sell their loans and to raise the cash for new loans. This has created a liquidity trap for many borrowers who want to refinance out of the nontraditional mortgage products. Huge amounts of cash that once sought the high yields tied to mortgage-backed securities creating easy money for borrowers, many of whom had less than stellar credit, or lacked loan documentation, or sought zero down payment products, is no longer available. No one knows for sure what the extent of the exposure is and exactly who is exposed because the way mortgages are packaged into pools and sold to investors makes it difficult to determine who owns the loans and how much money is lost.

One estimate by Lehman Brothers suggests that approximately \$19 billion in losses are parked in loan pools put together in 2005, 2006 and this year, representing 5.5 percent of all mortgages.

The Center for Responsible Lending December 2006 report entitled, "Losing Ground: Foreclosures in the Subprime Market and Their Cost to Homeowners," documents the relationship between subprime lending and foreclosures and suggests that by the end of 2006, 2.2 million households in the subprime market either will have lost their homes to foreclosure or hold subprime mortgages that will fail over the next several years. These foreclosures will cost homeowners as much as \$164 billion, primarily in home equity.

One out of five, or 20 percent, of the subprime mortgages originated during the first 2 years will end in foreclosure. So rather than wealth creation that we expect with homeownership, we will witness wealth evaporation tied to foreclosures.

Federal regulators issued guidance last year acknowledging that subprime loans were a problem. The guidance speaks to loans where the rates can change dramatically after the second or third year of the mortgage, such as from 7 percent to 11.5 percent. That guidance suggests that lenders be required to take into account the borrower's ability to make monthly payments at higher rates and also property taxes and homeowners insurance which are often not escrowed in the subprime loans.

I applaud the guidance, but what we really need is for there to be forbearance on the part of lenders while we get this mess straightened out and before it leads to something catastrophic in the financial markets. It has already spilled over into the home building industry, and the fallout is far from over.

Congress must still balance the interest of assisting home buyers who are low- and moderate-income first-time buyers, while ensuring that they avoid the pitfalls of the subprime market and that they have safe options. Providing assistance to existing subprime borrowers who are in danger of losing their homes is key.

I believe that FHA modernization is part of the solution, and so we will mark up H.R. 1852, the Expanding American Homeownership Act of 2007, a bill that I have introduced, next week in the Committee on Financial Services. Reasonable workout plans represent another mechanism that can assist homeowners from falling into foreclosure.

In effect, the lenders know that they are better off not losing these borrowers to foreclosure since it is very costly to the lenders. It only creates a ripple effect in the communities where the properties are located, creating vacancies, blight, arson and other social ills. In addition, the cycle of predatory lending activity continues with investors purchasing foreclosed property at

depressed prices only to turn around and sell the properties quickly at inflated prices.

I have asked Freddie to take a look at prohibiting the use of its resources to finance this type of mortgage lending.

A big plus is that Freddie Mac just took proactive steps, announcing that it will make \$20 billion available to assist borrowers by the summer with refinancing. Fannie Mae will join this effort. I can not predict what will happen in the subprime lending market, but I do believe that we can stem the tide of foreclosures by working closely with Freddie, Fannie and the lenders. One thing that I do know is that we will have to correct this problem if the markets can not fix it. We can not sit by and watch Americans, many through no fault of their own, lose their homes. Every time there is a victim to foreclosure, the rate of homeownership in America falls and the gap between the rich and the poor worsens. No one wants to reverse the progress that we have made in this country on homeownership, certainly not me.

OUT IN THE COLD: OHIOANS HIT HARDEST BY HOME FORECLOSURES

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Ohio (Mr. WILSON) is recognized for 5 minutes.

Mr. WILSON of Ohio. Mr. Speaker, being from Ohio and speaking on this issue is really quite easy because Ohio leads the Nation in predatory lending and in foreclosures, an unfortunate statistic that we are not proud of.

As a new Member of Congress and one that has worked very hard in the Ohio House and the Ohio Senate to pass legislation against predatory lending, I feel it a real calling to be one who speaks up strongly here in the Congress on the same type of issue that people are being taken advantage of in a big way.

So, Mr. Speaker, Ohio's working families are paying the price, and in many cases, they are paying with their homes. In fact, Ohio leads the Nation, as I said, in foreclosures.

In my district, Mr. Speaker, in southeastern Ohio, from the suburbs of Youngstown to the small rural communities along the West Virginia and the Kentucky borders, predatory lenders are targeting honest Ohioans who only want one thing: they want a chance to purchase a home of their own and live the American Dream.

For millions who struggle with bad credit, these subprime and adjustable rate mortgages seem like the perfect opportunity to correct their problems. But in reality, when it sets in, it is the worst solution that they could choose.

Rates begin to skyrocket, late fees pile up, and before long it is too late. Too many families are losing their homes to foreclosure. Too many families are being left out in the cold.

The numbers are alarming. These subprime loans account for 63 percent of Ohio's foreclosures.

Mr. Speaker, this is a problem that has spread far beyond Ohio to our

major cities all across America. In fact, two-thirds of the subprime loans are used in non-urban areas as well.

Today's working families are being challenged in so many ways. While wages stay flat or decline, we have seen people's gas prices and health care costs continue to soar. It's time that our working families finally get the relief they deserve, and taking on predatory lenders has to be a part of the solution.

As a member of the Senate, as I said, I joined colleagues to work on Ohio's predatory lending laws. I work on this important issue here in Washington also, because I believe it's an important one for the people of this country.

One of the things I did was to take a first step in introducing House Resolution 1723. It's a bill that I introduced that targets FHA home loans. It clearly outlines unacceptable practices that could be used in an attempt to influence an appraisal on a home. It also puts in place a blind draw, a system that would randomly select the appraiser, rather than having loan companies have favorites that they use to make unrealistic appraisals.

Ensuring that homes are appraised fairly is an important piece of the puzzle. Many borrowers cannot refinance or sell to avoid defaulting because their property is not worth what they owe on the home. Too often, the original mortgage is based on the inflated appraisal, and H.R. 1723 will keep that from happening when it comes to FHA loans.

Families across the Nation are now feeling the kind of pain that we in Ohio have suffered; 2.2 million subprime home loans made in recent years have already failed, or will in foreclosure. These foreclosures will cost homeowners as much as \$164 million, and that figure only begins to describe the cost to the families.

Our sons and daughters, our mothers and fathers, are losing their homes, and in the process they are losing their hold on the American dream. Our working families deserve real relief, not just empty words.

I urge this Congress to take a strong stand on predatory lending. We must make sure that Americans' dream of home ownership does not turn into a nightmare for even more families.

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SUBPRIME LENDING

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from North Carolina (Mr. MILLER) is recognized for 5 minutes.

Mr. MILLER of North Carolina. Mr. Speaker, the best news for the American middle class is our home ownership rates. Wages are stagnant for the middle class. They are not keeping up with inflation. Health care costs just keep going up. Folks do not know what their health insurance is going to pay for until they get sick. They don't

know if their pension is really going to be there when it comes time for them to retire, or their employers take a quick dip in bankruptcy so they can short the promises they made to their employees.

Almost 70 percent of American families own their own homes. We heard Mr. CUMMINGS speak just a few minutes ago, powerfully, of what it meant to his family when he was 10 years old and they bought a home for the first time.

The deed to a home is the membership card in the middle class. For the middle class, the equity they build in their home becomes the bulk of their life savings. What they build by paying a mortgage faithfully month after month becomes the bulk of their life savings.

When they need to borrow money, when they have one of life's rainy days, when they want to send the kids to college, or someone in the family gets sick, or they lose their job or they go through a divorce, or they need to repair their homes or they get in over their head in credit card debt, they have to borrow money against their homes. Too often when they borrow money against their homes, they are having their trust betrayed.

Several Members tonight have talked about subprime lending as lending that goes to those who have problems with their credit. Some is, but more of it, more of it, has to do with who places it with which borrowers, which homeowners put their trust in the wrong people and have their trust betrayed. According to Freddie Mac, a quarter of mortgages, subprime mortgages, are made to people who qualified for prime loans, who didn't have problems with their credit, but they went to the wrong person and they had their trust betrayed.

Subprime loans, or predatory loans, take fees and costs that cannot be justified by the cost of the loan or the risks that are posed that the borrower will not make their payments. Those loans strip equity and steal the life savings of the borrower. Lenders even pay more to brokers who bring them loans where the borrower has agreed to pay more than what they qualified for based upon their own credit history and what they own of their home, their equity in their home.

They put borrowers in loans, in mortgages, they cannot possibly pay back. They will have to refinance again so they can flip the loan. They will have to come back again, often having to pay a prepayment penalty to get out of a bad loan so they can refinance again. They are teaser rates. They are only good for a couple, 3 years, and then the rates are adjusted.

For many borrowers, they can qualify for the teaser rate, but they can't possibly pay their monthly payment when it goes up by 50 percent or more, as happens too often. They refinance again, and every time they refinance, they lose more of their equity in their home. They lose more of their life savings.

People who are in the subprime market for as much as a decade, for as much as 10 years, they have an almost 1 in 3 chance of losing their home to foreclosure. When they lose their home to foreclosure, they lose their membership in the middle class. They fall back into poverty, probably for the rest of their lives.

I have introduced in the last two Congresses, with Mr. WATT from North Carolina, my colleague, and Mr. FRANK, the chairman of the Financial Services Committee, legislation that is based upon successful State laws that protect homeowners from those kinds of abuses, those kinds of predatory loans, and this has not prevented there being good availability of good mortgages, sound mortgages, mortgages that help folks build wealth, not steals their wealth from them.

We need to do a great deal more now to help the people who are facing foreclosure right now, who are facing losing their homes, who are facing falling from the middle class for the rest of their lives. Businesses can go into bankruptcy. They can have obligations, promises they made with their eyes wide open, written. But a middle-class homeowner cannot go into bankruptcy and have a mortgage rewritten, adjusted, mortgages that they entered when their trust was betrayed.

The American middle class needs someone to be on their side. They are facing an uncertain world. They are facing an insecure world where what they need to know is there for them, that they can own their home, that they can pay off their home and live out the balance of their lives in a home that is theirs outright. They need that certainty. They need to know health care is there. They need to know that their pension is there. They need someone on their side.

This Congress needs to be on their side.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New Jersey (Mr. PALLONE) is recognized for 5 minutes.

(Mr. PALLONE addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Oregon (Mr. DEFAZIO) is recognized for 5 minutes.

(Mr. DEFAZIO addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

THE OCCUPATION OF IRAQ: THE VOICES OF AMERICA'S CHILDREN

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Ms. WOOLSEY) is recognized for 5 minutes.

Ms. WOOLSEY. Mr. Speaker, like all of my colleagues, I have received thousands of e-mails, letters, faxes and